



News Release

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Free File Opens Second Year; Improvements Detailed

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WASHINGTON — The Internal Revenue Service, Treasury Department and the Office of Management and Budget unveiled a series of improvements today designed to make the Free File program easier to use for more taxpayers. Now starting its second year, the Free File program lets millions of taxpayers prepare and file their federal taxes on-line for free.

Free File, which is available at IRS.gov, gives taxpayers free access to the benefits of online tax preparation and e-filing. Filing taxes electronically is easy, fast and secure. And, people receive their refunds in half the time of a paper return. Free File applies only to the federal tax return.

Free File was created last year in partnership with an alliance of tax software companies to offer free online preparation and e-filing services to at least 60 percent of the nation's 130 million taxpayers. Free File, which was used by 2.8 million taxpayers last year, was principally designed to advance and increase e-filing receipts and to assist taxpayers, particularly in underserved and disadvantaged communities.

Among the improvements is an agreement that each company in the Free File Alliance will fully and clearly disclose its customer service options and all the forms and schedules they support. Taxpayers are under no obligation to purchase any fee-based services – such as an Individual Retirement Account or Refund Anticipation Loan - in order to use the Free File services.

"Make no mistake -- no one likes paying taxes -- it's too confusing and too time consuming. But Free File makes this onerous task a good bit easier and less burdensome. Free File is an easy, fast and secure way for citizens to file taxes, and also allows Americans to get refunds in half the time. The efficiency of Free File saves both taxpayers and the IRS money," stated Treasury Secretary John W. Snow.

"Our service priorities at the IRS are to improve service options for the tax-paying public, facilitate participation in our system by all sectors of the tax-paying public and simplify the tax process," said IRS Commissioner Mark W. Everson. "The Free File program supports these objectives. A key lever in improving customer service is increasing the scope and accessibility of services delivered electronically. Free File is designed to help taxpayers file electronically and to assist taxpayers in underserved and disadvantaged communities."

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Taxpayers are encouraged to review all 16 company offerings by visiting “Free File” at IRS.gov. While each company sets its own qualifying criteria for their free service, the majority of the offerings are designed to serve lower-income individuals (such as Form 1040 EZ Filers) or families who claim the Earned Income Tax Credit. Other offers are based on the individual’s age, military service or state residency.

Many of the improvements made to Free File for 2004 are a direct result of feedback received from taxpayers during last year’s program. Other program enhancements were made by the companies themselves. Some improvements include:

- **Disclose Customer Service Options.** Each provider will readily display their customer service options and associated fees, if any. This disclosure will be available on each of the company’s Free File websites.
- **Disclose Tax Forms and Schedules.** Each company will disclose the tax forms and schedules associated with their free offering so taxpayers will know immediately if an offering is right for them.
- **No Promotional Codes.** Companies will not utilize any promotion codes or rebates as the methodology for providing free services. Each tax software program is designed to automatically notify the taxpayer if he or she is (or is not) eligible for a particular offering based on the information the taxpayer inputs (such as adjusted gross income).
- **Clearer Up-front Instructions.** Many of the companies will have clearer instructions available to clearly define up front what services and features are offered.
- **Improvements Made to Reduce Concerns About Advertising.** We have worked with the providers to address the perception that taxpayers received unsolicited advertising. Taxpayers are under no obligation to purchase any product or service to use Free File, and taxpayer information and data remains protected by one of the government’s toughest standards.
- **Guaranteed Calculations.** All companies will guarantee the accuracy of the calculations made by their software. Any IRS penalties and interests incurred as a result of a miscalculation will be paid by the company.
- **Free Printing of Completed Tax Return.** Taxpayers who qualify and use one of the free services will be allowed to print their completed tax return for free on their personal computer.

The combined changes are designed to increase the program’s level of performance and improve the taxpayer’s overall tax preparation and e-filing experience. Each company is responsible for its own tax software program. Taxpayers who have issues with the software should contact the company to resolve the problem. If taxpayers encounter systemic problems that are not resolved, they can e-mail the IRS at: helpdesk@speedymail.com.

The IRS expects Free File will increase the public's interest in electronic filing. Surveys indicate a high public satisfaction rate with IRS e-file. IRS e-file users have a higher satisfaction rate than those who still use paper returns, according to the American Customer Satisfaction Index, which measures private-sector and public-sector services. Last year, approximately 53 million taxpayers used IRS e-file.